

**CITY OF LODI
INFORMAL INFORMATIONAL MEETING
"SHIRTSLEEVE" SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, NOVEMBER 6, 2001**

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, November 6, 2001 commencing at 7:02 a.m.

A. ROLL CALL

Present: Council Members – Hitchcock (left at 7:39 a.m.), Howard, Land, Pennino and Mayor Nakanishi

Absent: Council Members – None

Also Present: City Manager Flynn, City Attorney Hays, and Deputy City Clerk Perrin

B. CITY COUNCIL CALENDAR UPDATE

Deputy City Clerk Perrin reviewed the weekly calendar (filed).

C. TOPIC(S)

C-1 "Northern California Power Agency (NCPA) Update/Projections"

With the aid of overheads (filed) Electric Utility Director Vallow provided an update on the City's power supply and projections, indicating that the power markets are rising and the future has a more positive outlook. The major cost center of Electric Utility's budget is the Northern California Power Agency (NCPA) bulk power, which is a combination of resources that the City owns, purchases, sales, gas contracts, etc. In the past this translated into something fairly predictable; however, last year was atypical.

In terms of power market and future projections, the loads are down for both the City and the state. In looking at customers' patterns, it is evident that they respond to price indicators not to verbal warnings. New generation is being built and the reserve margin for the state is up. Unfortunately the reserve margin is up, not because it built more generation, but because businesses in the state are closing. Lodi recently received word that Oriol, Inc., a new high-tech manufacturing business, would be locating in Lodi.

The Federal Energy Regulatory Commission (FERC) cap has allowed for long-term stability; however, in Mr. Vallow's opinion, FERC was responsible for the short-term difficulties. In comparing the Independent System Operator (ISO) state's energy usage for 2001 vs. 2000, much less energy was used during the recent energy crisis.

Boris Prokop, the City's consultant with Borismetrics, added that in general the loads are down, which is related partially to weather, but more particularly because the high-end consumption has been pushed down and some manufacturing businesses have been lost within California.

Mayor Pro Tempore Pennino stated that the Central Valley has not seen the dramatic job decrease that areas such as the Silicon Valley have.

Mr. Vallow agreed that the types of businesses in this area (e.g., seasonal industries, iron works, paper mills, etc.) have not been greatly affected by the high-energy costs, unlike those in the Shasta and Los Angeles counties. Lodi has a more diverse business community and ensures that it has a variety of business types (e.g., foods, plastics, high-tech, etc.).

In response to Mayor Nakanishi, City Manager Flynn explained that PG&E has a plus-revenue, which it calls profit. In the City's case, it reviews the past years and combines the losses with today's figures, of which the results are favorable.

Mr. Vallow indicated that the City generates revenues to try to match costs at or below the budget. Electric Utility locked in some gas prices, but the market went so low that it has gone below the budget. The energy percentages show that customers did not use as much energy or made an effort to conserve. Ironically, the business customers' energy usage increased by about 20%.

Mayor Pro Tempore Pennino commented that when the school district switches to a modified-traditional school year it should reduce some of the load from the peak. Mr. Pennino suggested that the City Manager's Office look into a potential rebate for this reduction during the off summer months.

Mr. Vallow stated that the NCPA pool prices are set by a combination of power market and ISO prices. Comparisons of past patterns are used for making the future projections. At the end of year 2000, the prices were high, but tolerable; however, at the beginning of 2001 the prices did not repeat in the cyclical manner. Prices should have been \$15-20, but were \$200-300 because of natural gas prices, which continued throughout all of winter and part of spring. Prices are now back to predictable levels because many of the facets of the market and the volatility have been taken away.

The contract with ENRON terminates this December. At the time the City entered into this contract it appeared to be a good decision; however, in hindsight it may not have been. The new lower Calpine costs will take place in January. During the last bond venture, the City followed unsound advice on the market costs. In any future bond endeavor, staff will make stronger arguments and follow its own recommendations, figures, and projections. The \$65 Calpine contract is exactly the cost of Lodi's NCPA resources, and with debt service and fuel included, the restructuring will get the price down to \$56. Lodi's generation costs are higher, but customers rate Electric Utility solely on the amount of their bills. The City's distribution is two cents lower than the surrounding areas. Staff has reviewed and based its figures on the budget and base rates, not on variances of the market.

Council Member Hitchcock added that during the bond process, it was asked if the Lodi City Council had the political will to reduce the transfer to the general fund or make rate adjustment if it had to. Lodi proved that this Council would take whatever steps necessary to get through the energy crisis.

Mr. Vallow concurred with Ms. Hitchcock and noted that the counter-parties look at the guarantee that Lodi will pay back any money, at its credit rating, and at the City's political will to handle difficult situations. The Council has given authorization for long-term contracts, all of which were done before necessary. There are currently two offers on the table to restructure and merge with lower power costs.

Electric Utility will keep in place the Market Cost Adjustment (MCA) and provide an update to Council, along with the restructure, at the second meeting in December. Mr. Vallow predicted that summer of 2002 would bring forth better rates for residential customers.

Following the question by Mayor Nakanishi, Mr. Vallow estimated that PG&E would repay Lodi approximately \$850,000 to \$1.2 million. The settlement is still in the final stages with the court. Further, Mr. Vallow responded that technology continues to be explored in the area of fuel cell distribution; however, interest in the idea diminished during the market volatility.

Council Member Land expressed strong concern on continuing the MCA to pay back the electric utility reserves.

Mr. Vallow explained that a minimum reserve level, in addition to the revenues, needs to be a part of the budget. For a time, the City had multiple reserves, which are now exhausted. It is necessary now to rebuild the negative reserve.

Mayor Pro Tempore Pennino asked from which account the reserves were taken, as he did not see these dollars in the budget. He understood that the money would come from the \$41 million, and he would like to receive updated budget numbers.

Mr. Vallow stated that the \$41 million, which is held in trust, is dedicated only to Capital expenses and not for the energy side. By Council policy, Electric Utility must have a prudent level of cash reserves to cover any shortfalls. During the next budget cycle, revenues will be adjusted down, and the City will be on track with the revenue projections for the MCA.

In response to Council Member Howard regarding Regional Transmission Organizations (RTO), Mr. Vallow stated that California has always been the trendsetter and RTOs are slowly growing this way. So far, the City has avoided joining the California ISO, and there is definitely a need to create our own regional transmission commission. It is happening on the east coast, and staff plans to watch and learn from their accomplishments and mistakes.

Announcements:

City Manager Flynn made the following announcements/comments:

- Announced that the San Joaquin Partnership has new brochures promoting Lodi (filed), on which Economic Development Coordinator Goehring worked very hard.
Mayor Pro Tempore Pennino added that Mr. Goehring did an excellent job on the brochure, which far surpassed others.
- Reported that the City received a letter from the State Department of Health Services directing the City to begin chlorinating its water beginning January 1, 2002. This will be the topic of the Shirtsleeve discussion next Tuesday. The City's current practice is to chlorinate water on an as-needed basis.
- Received a letter from the League of California Cities indicating that the 2002/03 state budget is distressed and encouraged cities to begin lobbying now. It acknowledged that the state might take away cities' vehicle license fees, which it had promised it would not do. Worst case scenario, Lodi could lose \$2.1 million a year in revenue.
- Informed the Council that the agenda item regarding the New Shanghai building was pulled from the agenda based on other organizations' interest. This matter will come back to Council in December as a request for proposals.
- Announced that the recent PCE/TCE ruling was favorable to the City.
- Stated that Information Systems Manager Stan Helmle's last day was Friday, and the City will begin recruitment shortly.
- Reported that the California Air Resources Board is not going to require the Smog Check II Program for bay area cities.
- Received complaints from local farmers that trash is being dumped in the surrounding rural communities.

D. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

None.

E. ADJOURNMENT

No action was taken by the City Council. The meeting was adjourned at 8:00 a.m.

ATTEST:

Jennifer M. Perrin
Deputy City Clerk

Mayor's & Council Member's Weekly Calendar

WEEK OF NOVEMBER 6, 2001

Tuesday, November 6, 2001

- 7:00 a.m. Shirtsleeve Session
1. Northern California Power Agency (NCPA) Update/Projections
8:30 a.m. - noon Pennino. Principal for a Day, Heritage School (Garfield/Eden).
-

Wednesday, November 7, 2001

- 7:15 a.m. Chamber of Commerce Business 4 Breakfast, Wine & Roses Ballroom.
7:45 - 9:00 a.m. Pennino. Tokay High School's SPIRIT program, Church of Latter Day Saints. Mayor to give brief welcome speech to students.
5:15 p.m. Nakanishi and Land. Grand Opening & Ribbon Cutting of new hotel rooms at Wine & Roses. Reception and tours from 5:30 p.m. - 7:30 p.m.
5:30 p.m. Ribbon cutting ceremony for the Happy Hours Christian Preschool playground at Lodi Community Church.
7:00 p.m. City Council meeting
3 Closed Session items (**NOTE:** 6:00 p.m.)
8 Presentations
20 Consent Calendar items
No Public Hearings
6 Regular Calendar items
One Ordinance
-

Thursday, November 8, 2001

- 6:00 p.m. Nakanishi and Pennino. Wine Industry Integrity Award Dinner, Hutchins Street Square. Dinner at 7:00 p.m.
6:00 - 7:30 p.m. Veterans' Poetry Reception, Phillips Farms.
-

Friday, November 9, 2001

- 3:30 p.m. Pennino. Reception for Principals for the Day, LUSD Office, 1305 E. Vine.
-

Saturday, November 10, 2001

- 5:00 p.m. Nakanishi. San Joaquin County Citizens Land Alliance 12th Annual Barbecue and Auction, Tracy Community Center. Dinner at 6:00 p.m.
-

Sunday, November 11, 2001

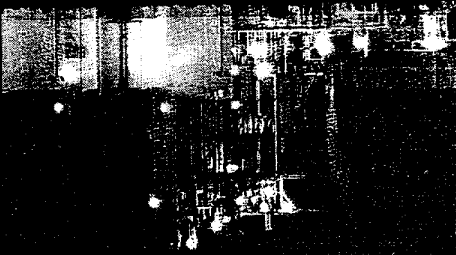
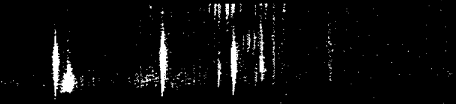
Monday, November 12, 2001

- 11:00 a.m. Nakanishi, Hitchcock, Howard, Land, and Pennino. Veterans' Day Parade. Staging begins at 9:30 a.m. on the corners of Locust and School Streets.
5:30 p.m. Nakanishi. Mayor to throw out first pitch and provide welcome at a doubleheader game of the California Grapettes (host team) and the Taiwanese National Softball Team.

Disclaimer: This calendar contains only information that was provided to the City Clerk's office

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SAN JOAQUIN PARTNERSHIP



LODI

THE CALIFORNIA ADVANTAGE

SAN JOAQUIN COUNTY



Photo by Gael Troughton.

Downtown Revitalization

The vitality of any city is its core. Lodi has ensured its vitality by investing over \$25 million to revitalize segments of its core downtown area. But, that's not all! Over the next two years, an additional \$30 million will be invested in Lodi's central city to further enhance the City's commitment to an unparalleled "quality of life".

Industry/Labor

With unemployment rates consistently higher than national or state averages, the Lodi area can supply low cost, abundant and readily available labor. Higher educational opportunities as well as customized and on-the-job training programs have effectively contributed to an experienced, reliable and productive workforce – trained to your specific needs.



Photo courtesy of SSI.

WOODBRIDGE
BY ROBERT MONDAVI

CALIFORNIA CHAMPAGNE

Major & Targeted Industry

Plastics

Apache Plastics/CertainTeed
Dart Container Company
Fairmont Sign Company
Quashnick Tool Corporation
Scientific Specialties Inc.
Schaefer Systems International, Inc.

Plastic Pipe/Fencing Extrusion
Styrofoam Containers
Plastic Thermo-Forming
Injection Molding
Injection Molding
Injection Molding

Food & Agribusiness

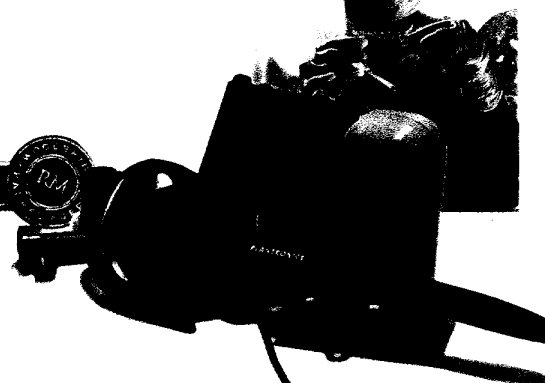
General Mills, Inc.
Miller Packing Company
Pacific Coast Producers
Woodbridge-Robert Mondavi

Cereal & Food Mixes
Sausage & Smoked Meats
Canning & Can Manufacturing
Wine Producers

Manufacturing and General Services

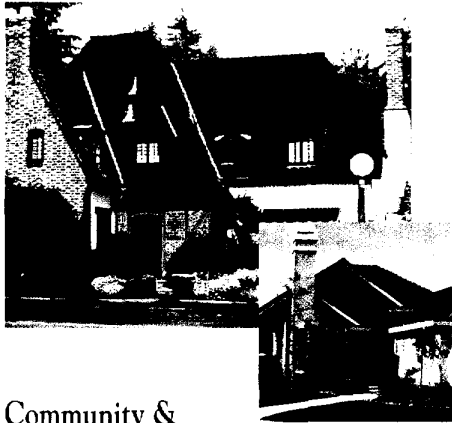
Blue Shield of California
Holtz Rubber Co.
Lustre-Cal Nameplate Corporation
RE Services
1st Page/Shared Network Services
Valley Industries

Insurance Claims Processing
Industrial Rubber Products
Custom Identification Products Manufacturing
Backing Board for Printed Circuit Board
International Website Design
Trailer Hitch Manufacturing



Housing

Lodi offers affordable housing and a diversity of lifestyle alternatives. The average 2001 list price for residential property is \$168,300 and the median price is \$149,900. The City of Lodi is committed to "quality growth" and strives to protect its historical, small-town charm through its annual growth management program.



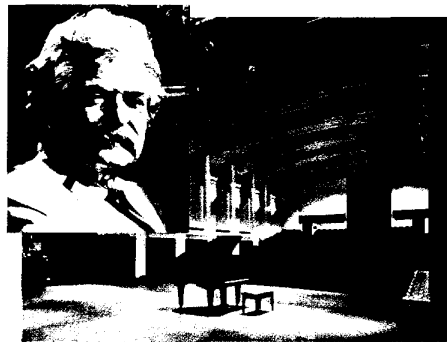
Community & Cultural Events

Whether you're a resident or a first time visitor, there are plenty of cultural and community events to enjoy. Seize the moment at a weekly Farmer's Market, Christmas Light Parade, Grape Festival & Harvest Fair, Downtown Lodi Live, Clements Stampede & Rodeo, Arts & Rec At The Lake, and many other events occurring throughout the year.



Recreation & Community Resources

Sports and Recreation are key to Lodi's quality living commitment. Enhanced by its mild seasonal climate, 25 parks and specific use facilities covering more than 300 acres, Lodi features a variety of recreational interests and activities for both youth and adults. The "crown jewel" of the system is Lodi Lake Park - a complement to the area's many outdoor recreational venues and the Delta waterway system. Residents also enjoy the benefits of close proximity to the San Francisco Bay Area and the Sierra Nevada Mountains, just a short 90 minute drive away.



Hutchins Street Square

Lodi's recently completed performing arts and conference center, Hutchins Street Square, is the home to multiple community programs and events. Sporting an 800 seat state-of-the-art theater, the Square offers a venue for quality live entertainment featuring such artists as Hal Holbrook, Oakridge Boys, Coasters and Dido.



Lodi - Heart of California's Premium Wine Business

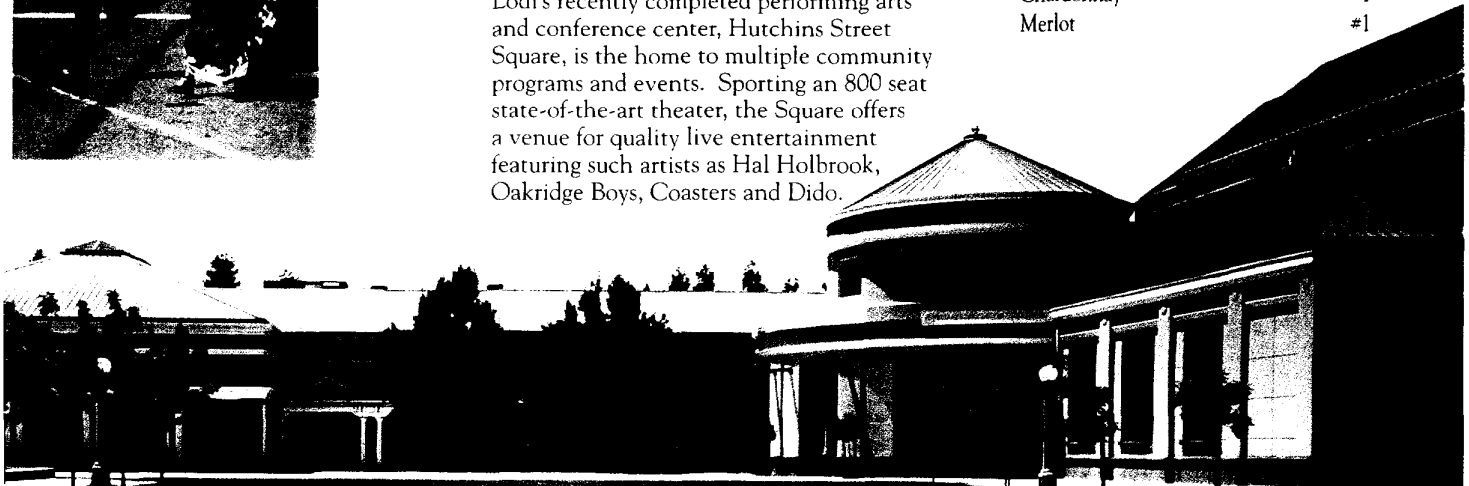
Premium quality winegrapes are the economic engine that drives the Lodi-Woodbridge region. Supported by approximately 80,000 acres of vineyards that surround the Lodi community, Lodi-Woodbridge winegrape growers annually produce a crop worth more than \$300 million. Nearly 40% of California's premium wine grapes are grown in this region, making Lodi the "Winegrape Capital of the World".

Lodi-Woodbridge enjoys the perfect environment for winegrape production. The region is warmed by the valley sun during the day and cooled by the Delta breezes at night. Soils rich in minerals give Lodi-Woodbridge wines their unique quality and flavor. Abundant water from nearby rivers allows for consistent quality and quantity from vintage to vintage.

The Lodi-Woodbridge area has been a respected part of California's wine industry for over 100 years. Today, some of the state's most important wineries rely on grapes grown in the Lodi-Woodbridge region including Robert Mondavi, Ernest & Julio Gallo, Sutter Home and Glen Ellen.

Grape Varieties Produced (Ranking - California State production)

Types	Ranking
Zinfandel	#1
Cabernet Sauvignon	#1
Sauvignon Blanc	#1
Chardonnay	#1
Merlot	#1



The City of Lodi...

It is centrally located in northern California with easy access to U.S. western states. Home to nearly 60,000 residents, Lodi's well-planned 12.2 square miles offer an ideal environment in which to work and live.

The Community leaders are committed to cultivating and sustaining a positive business environment. This is achieved through an aggressive economic development program, complemented by the following qualities:

- A proactive and supportive City staff
- Business incentive programs
- Economic and business diversity

A "cornerstone" to Lodi's business success is the City-owned and operated electric utility system. The City of Lodi Electric Utility offers the following advantages to its business and residential community:

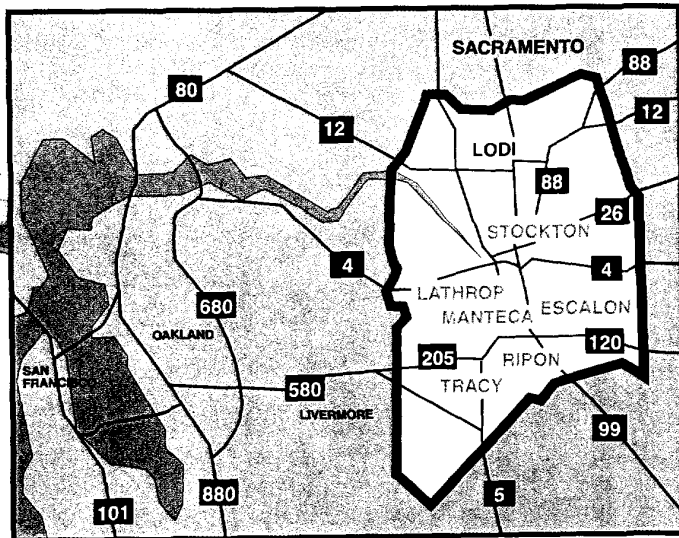
- Serves over 23,000 residential, commercial and industrial customers
- Over 205 miles of distribution lines
- Strategically placed substations and aggressive maintenance program
- Unlimited, reliable electric power at low rates

In addition to the business advantage, there are also recreational and cultural opportunities to enjoy while living, working and playing in Lodi.

The advantage is growth.

The benefit is quality living.

The Future is Lodi!



The City of Lodi is affiliated with the San Joaquin Partnership, a collaborative effort by private sector leadership and all cities of San Joaquin County to enhance its economic development program. The San Joaquin Partnership is a progressive private-public non-profit economic development corporation designed to recruit and assist business and industry to locate into San Joaquin County. Its services, direct or indirect, include: comprehensive site and facility searches, site location and utility cost analysis, labor ability and wage information, supplier and vendor product surveys, project permit facilitation, community data and location tours, and community assimilation. The Partnership provides confidential, comprehensive service and assistance from initial project/site inquiries to project completion, without obligation.

2800 West March Lane, Suite 470
Stockton, CA 95219
(209) 956-3380
Fax (209) 956-1520

Web: sjpnet.org
E-mail: sjp@sjpnet.org

For information, call
1-800-570-JOBS

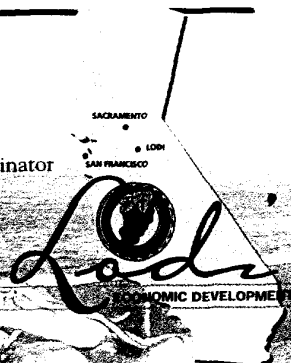


SAN JOAQUIN PARTNERSHIP

A Private Non-Profit Economic Development Corporation Serving San Joaquin County

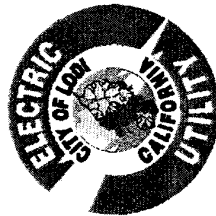
City Contact

Tony C. Goehring
Economic Development Coordinator
221 W. Pine Street
P.O. Box 3006
Lodi, CA 95241-1910
(209) 333-6700
(209) 333-6807 FAX
E-mail: tony.goehring@lodi.gov
www.lodi.gov



Power Supply Update

November 6th, 2001
Shirtsleeve Session



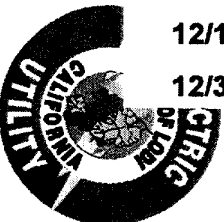
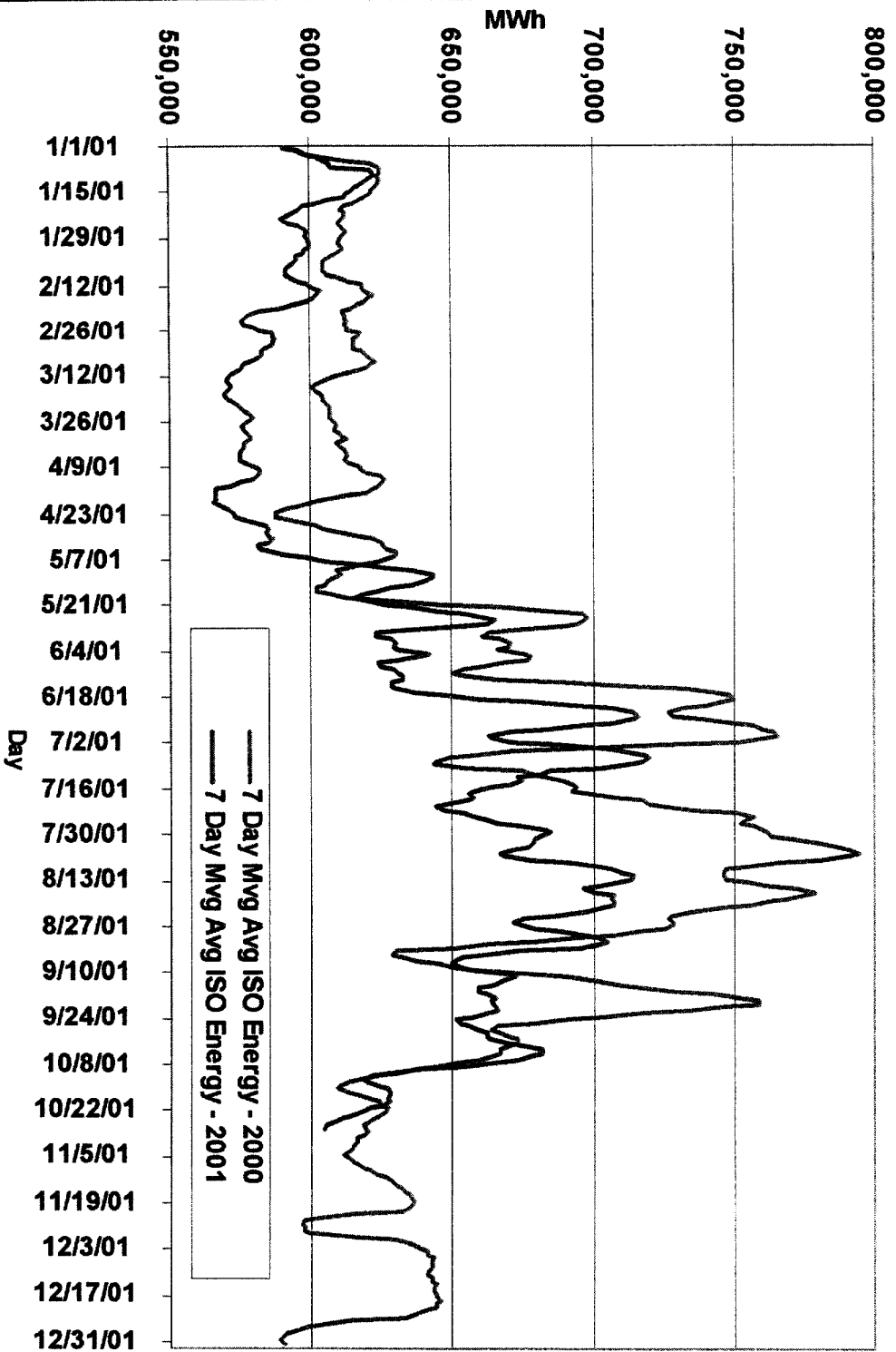
Current Market Conditions

Back to Normal Finally

- ▣ Loads Down
- ▣ Generation Built
- ▣ Reserve Margins Up
- ▣ Price Bubble Burst with FERC Cap & demand off



ISO Energy 2001 vs 2000 (loads down)





Reduction in 2001 Monthly Peak Demand

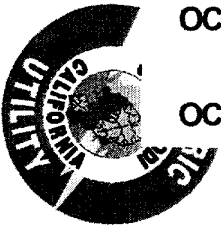
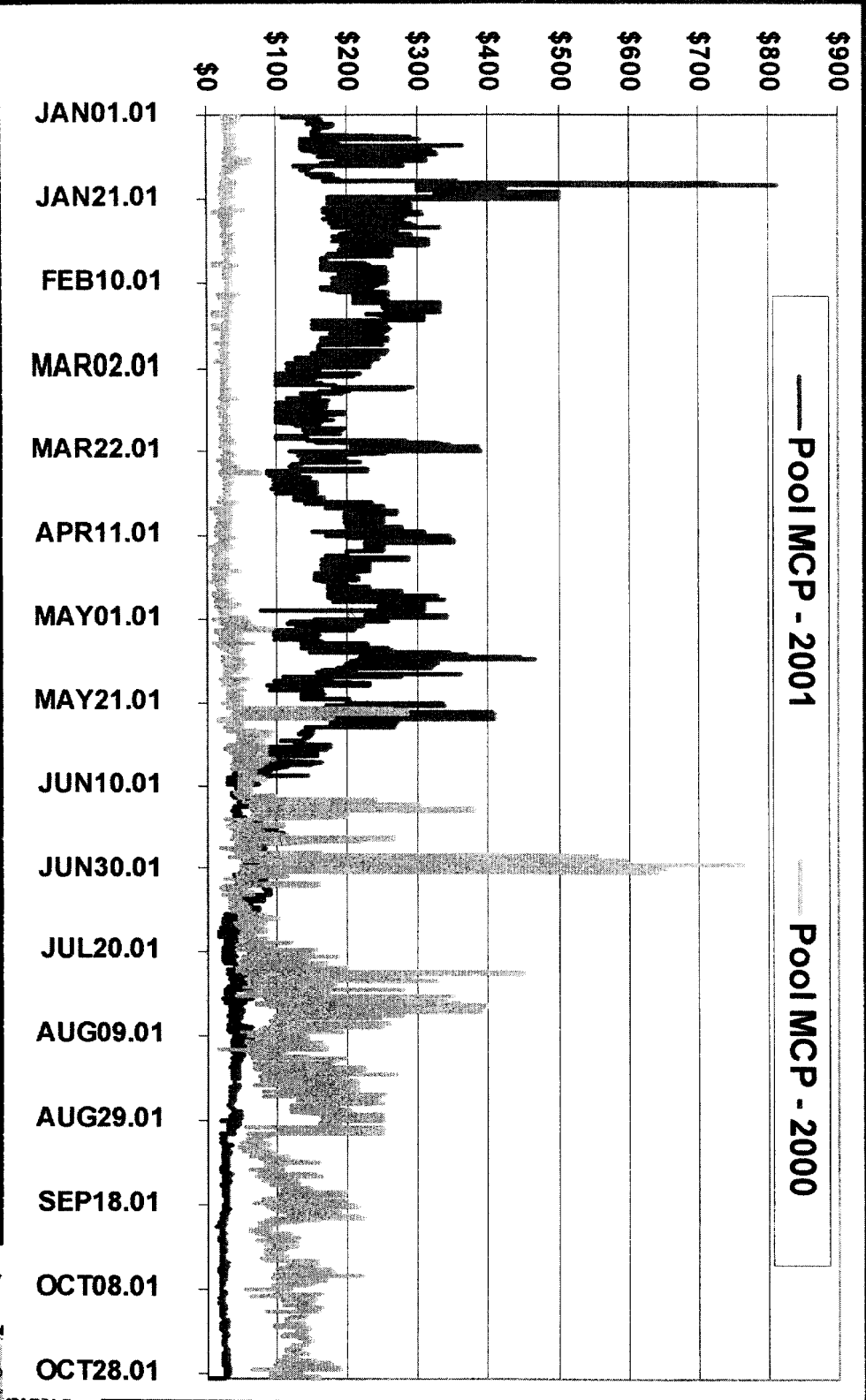
	January	February	March	April	May	June	July	August	September
Expected Megawatts	33,743	32,195	32,233	31,888	34,657	39,637	41,599	42,528	39,480
Actual Impact Megawatts	-2,091	-2,578	-2,967	-2,866	-3,595	-5,570	-4,455	-3,796	-3,163
Percent Reduction	-6.2%	-8.0%	-9.2%	-9.0%	-10.4%	-14.1%	-10.7%	-8.9%	-8.0%

Reduction in 2001 Monthly Electricity Use

	January	February	March	April	May	June	July	August	September
Expected Megawatt-Hours	19,783,184	17,654,385	19,577,401	18,617,765	20,905,847	21,925,523	22,889,024	22,803,383	21,364,873
Actual Impact Megawatt-Hours	-1,067,180	-1,282,347	-1,754,894	-1,276,222	-2,289,362	-2,727,904	-1,201,381	-1,610,354	-1,159,314
Percent Reduction	-5.4%	-7.3%	-9.0%	-6.9%	-11.0%	-12.4%	-5.2%	-7.1%	-5.4%



NCPA Pool Prices 2000 vs 2001



NCPA Power Costs

- ▲ 6 month to 1 year lag effect
 - ◆ Enron Contracts drop off this December
 - ◆ New lower Calpine takes effect 2002
 - ◆ Gas contracts drop off mid 2002
- ▲ NCPA cost will drop after the 1st of the year but will take time before pre 2000 level
- ▲ Will need MCA to carry thru to pay back reserves

